

THE JACOBS REPORT

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BUDGET PASSES A HOUSE DIVIDED

House Republicans passed their 700-page multi-section omnibus budget without any Democratic support this week. Unlike recent budgets, this 2005-06 edition leans heavily on major spending cuts instead of creating new revenue sources.

Democrats, led by the governor, fear that the budget cuts will jeopardize the state's social safety net. Medicaid eligibility, welfare cash assistance, job creation and the arts would be slashed the most.

With an eye toward the 2006 election, the GOP has wagered heavily that the public prefers a budget balanced with cuts instead of fee and tax increases.

The major spending restraint was a new approach unlike any in modern state history, as was the omnibus bill mechanism, which put the vast majority of all state spending into one piece of legislation. Traditionally, eighteen separate bills were used, one for each major piece of the state government.

Democrats said the bill, which passed on a party-line 58-52 vote, erodes the state's responsibility to protect its most vulnerable residents. In place of assistance cuts, the Dems prefer Governor Granholm's proposed eliminations of certain tax exemptions

The Republicans did retreat on some of their proposed cuts, choosing to fully fund three State Police posts that were scheduled to close, as well as the waiver that allows American Indians to attend public universities tuition-free.

Completion of the House budget proposal raises some interesting questions.

Can Governor Granholm and the Republican-led Legislature reach a middle ground before the 2005-06 fiscal year begins October 1? And how will the House and Senate meld their budgets when the Senate has 18 budget bills and the House has most of their budget wrapped into one?

"[W]e need to come together and find a way to bridge the gap," said House Speaker Craig DeRoche (R-Novi). "Philosophical differences do not bar compromise with the budget. I don't think that our differences are going to stop us from doing our jobs that we were elected to do."

Republicans and Democrats do agree on some budget points: increasing aid to K-12 public schools by \$175 per pupil, funding rising Medicaid caseloads, slightly cutting the state's 28 community colleges, not harming revenue sharing aid to local governments (the House version includes a small increase) and closing some National Guard armories.

The differences are numerous, however.

The House budget would end Medicaid eligibility for 43,000 residents and implement higher co-pays for certain Medicaid recipients. Welfare cash assistance would be reduced, and in some cases, cut off. It would sharply cut spending to Northern Michigan and Wayne State universities while increasing spending to several other schools, close two prisons Gov. Granholm wanted kept open and continue funding for an expensive privately-run prison.

"We only have a certain number of resources to help across this state," said Rep. Scott Hummel (R-DeWitt). "The state cannot continue to go to our taxpayers and ask for more money to fund things that are good causes."

Rep. Gretchen Whitmer (D-East Lansing), the ranking Democrat on Appropriations, disagreed, saying that the new budget puts "corporate greed over kids in need." Whitmer took issue with its preservation of tax exemptions in exchange for welfare cuts and higher co-pays for the MICHild program that provides Medicaid coverage to all uninsured children in the state.

"Your budget clearly distinguishes the Republican Party from the Democratic Party in this state," she said. "Your budget is reckless and irresponsible—socially and fiscally."

SENATE PASSES JOBS BOND FUND

Bipartisan Effort Open to Compromise

The Senate passed a measure to allow Michigan voters to decide in November if the state should issue \$1 billion in general obligation bonds for economic development.

Two amendments to bump the bond issue up to the \$2 billion level proposed by Governor Jennifer Granholm failed. Senate Majority Leader Ken Sikkema (R-Wyoming) laid out an offer to double the billion if the governor agreed to eliminate the business "add-back" tax or continue the Single Business Tax phase-out.

SJR C, sponsored by Senator Gilda Jacobs (D-Huntington Woods), passed 32-6. The Joint Resolution would amend the constitution to allow the issuance of the bonds and put the bond question before voters on the 2005 ballot. Opposing the measure were Sen. Mike Bishop (R-Rochester), Sen. Nancy Cassis (R-Nov), Sen. Judson Gilbert (R-Algonac), Sen. Ron Jelinek (R-Three Oaks), Sen. Michelle McManus (R-Lake Leelanau) and Sen. Alan Sanborn (R-Richmond).

SB 533, which sets up the operating structure for issuing loans and grants under the bond should it pass, was approved on a 31-7 vote. All six Republicans opposing the resolution, as well as Sen. Laura Toy (R-Livonia) voted against the bill.

Governor Granholm congratulated the Senate for passing the proposal. “The Senate has taken an important first step in passing the governor’s Jobs for Michigan plan,” said Liz Boyd, spokesperson for Gov. Granholm.

Asked about comments from both Sen. Sikkema and Sen. Valde Garcia (R-Howell) that they would support a \$2 billion bond proposal if it were tied to business tax cuts, Ms. Boyd said Thursday’s action was the first step in the process.

Sen. Mike Prusi (D-Ishpeming) said given bond issues going to the voters in other states, Michigan needs the larger bond issue to remain competitive. “\$2 billion is a significant amount of money that will make us more competitive with our neighboring states,” he said.

All Michigan legislation can be tracked at <http://www.legislature.michigan.gov/> .

State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

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